

## ***2009-2013 Capital Improvement Program***

### **Introduction**

The Capital Improvements Program (CIP) serves as an effective guide for the efficient and effective provisions of public facilities, outlining timing and financing schedules of capital and infrastructure projects for a five year forecast period, and a plan for the next fiscal year capital budget.

The CIP identifies capital needs, establishes priorities, and identifies potential funding sources. Key sources for identifying capital requirements include the Ankeny Plan as well as professional studies of facilities, transportation, utilities, and storm water needs.

The CIP neither appropriates funds nor authorizes projects. The city council must act to initiate each project. Proceedings to initiate capital improvements are presented when sources of funding are available.

The capital budget is a significant part of the 2009-2010 Budget. It represents costs associated with capital projects in the first year of 2009-2013 Capital Improvements Program.

Such projects may include land acquisitions, the construction and acquisition of new buildings, additions to or renovations of existing buildings, construction or reconstruction of street and utility infrastructure, and major equipment purchases. Because of the size and magnitude of these projects, bond funds are a major source of financing for projects including utility projects.

Annually, staff performs a systematic evaluation of capital project requirements, updates the adopted Capital Improvement Program document incorporating recommended changes, and submits the revised program to the city council for consideration, modification, and adoption as a part of the annual budget process.

During the preparation and review of the recommended Capital Improvements Program, city management staff employed experience-based judgment to identify which projects can be accomplished in a given year, within the limit of the City's control. As would be expected, the data available, and therefore the expenditure estimates for the earlier years are more precise than the latter years.

Numerous sources are drawn upon to develop the expenditures included within this document including plans and/or studies completed or currently in process. The following is a listing of those studies and includes future studies anticipated to assist in the development of future capital improvement programs.

### Completed Studies

- Fox Engineering Water System Study (2002, 2006 Supplement)
- Urban Design Associates Prairie Trail Master Plan (2006)
- Economic Research Associates Prairie Trail Retail Market Analysis (2006)
- Economic Research Associates Prairie Trail Park Facilities & Trails Economic Impact Study (2007)
- Wastewater Reclamation Authority Facility Plan (2004)
- McClure Engineering Four-Mile Creek Storm Water Management Study (2004)
- Williams Architects Fire and Police Departments Space Needs Assessment (2005)
- RDG Ankeny Comprehensive Plan (2004)
- DART 2030 Transportation Plan (2000)
- Veenstra and Kimm – Golfview Acres and Country Club Court Sewer Feasibility Study (1998, 2006 Update)
- Howard R. Green Interchange Justification Study (NE 36th and E 1st Street Interchanges) (2007)
- RDG Crosswinds Business Park Master Plan (2007)
- Economic Research Associates Crosswinds Real Estate Market Assessment (2007)
- Snyder and Associates 18th Street Bridge Feasibility Study (2004)
- Paul Miller Design, Inc. Otter Creek Redevelopment Plan (2006)
- Barker Lemar Study – Demolition and Disposal of Ordnance Plant Wastewater Treatment Complex and Landfill (2006)
- Wilson Estes Architects Headquarters Police Station Plan (2007)
- RDG Parks & Facilities Comprehensive Plan (2007)
- Snyder and Associates U.S. Highway 69 Roadway Improvements Study (2006)
- Nilles Associates Saylor Creek Tributary Conceptual Design Plan (2006)
- RDG Library Services Space Needs Assessment (2006)
- Aaron Cohen Associates Library Facilities and Operations Analysis (2007)
- Water's Edge Inc., Aquatic Center Facilities Feasibility Study (2008)

### Current Studies

- Polk County Saylor Creek Interceptor-Rock Creek Extension (2007)
- Metropolitan Planning Organization 2030 Long-Range Transportation Plan (2000, 2008 Update Pending)
- Des Moines Water Works Water Supply Planning Study (2002)
- SVPA Architects Headquarters Fire Station Remodeling and Fire Station #2 Plan (2007)
- Uptown Redevelopment Plan (Internal – City Staff) (2007)
- Kirkham & Michael Westwinds Slope Stability Study (2008)
- RDG Interstate 35 Bluebelt Corridor Study (2008)
- Water's Edge Inc., Aquatic Center #2 Architecture & Design Plan (2008)
- Snyder & Associates Safe Route to Schools Study (2008)
- Nilles Associates Wildflower Plat 2 Storm Water Review Study (2008)
- Nilles Associates North Creek Stream Corridor Study - NW 5th St. to NW 18th St. (2008)
- Veenstra & Kimm Stormwater Drainage Study – SE 4th St and Wanda Dr Area (2008)
- Snyder and Associates Four Mile Creek Tributaries Stormwater Analysis (2008)
- Veenstra & Kimm Sanitary Sewer System Evaluation (2008)
- Snyder and Associates Packard Pond Siltation Analysis (2008)

### Future Studies

- RDG Ankeny Comprehensive Plan Update (2008)
- Ordinance Road Redevelopment Plan (Internal – City Staff) (2008)
- Fire Station #3 Location Study (Internal – City Staff) (2009)

### Capital Improvement Program Goals

- City Council Goals 2012. Five goals adopted by the Ankeny City Council in 2007 provide policy guidance for the evaluation of capital improvement projects. City of Ankeny Goals 2012 include:
  1. Maintain a Financially Sound City Providing Valued Services
  2. Manage Growth and Revitalization
  3. Improve Mobility and Infrastructure
  4. Develop Ankeny as a Regional Business Center
  5. Develop Prairie Trail

Capital Improvement Program projects scheduled for completion during each year for the next five-year period, grouped by category to match one of the 2012 Goals, are summarized in Appendix 2.

- Ankeny Plan. In addition to Goals 2012 the Ankeny Plan serves as the basis for many of the City's policy decisions related to a wide range of issues. Decisions related to capital projects also are tied to the Ankeny Plan. Comprehensive Plan goals related to the 2009-2013 Capital Improvements Program include:
  1. Provide infrastructure investments that correspond to the community's growth potential.
  2. Ensure that development within Ankeny and on Ankeny's periphery demonstrates environmental responsibility and adheres to the City's long-term growth goals.
  3. Assure the transportation system is adequate to meet future needs.
  4. Encourage the development of an interconnected system of parks, trails, and civic parkways and maintain a high level of service for recreational facilities as new neighborhoods emerge.

### Process

The annual capital improvement process is a process created for the purpose of developing a five-year capital improvement program. The five-year capital improvement process is for fiscal years 2010-2014. The CIP process is intended to provide a format for departments to submit projects to the City Manager and to the City Council while providing an objective means for reviewing and ranking capital projects. The first year of the capital improvement program will be included as part of the budget submitted for

Council approval next March. The first year of the program also determines the amount of bond anticipation notes and other debt instruments that will be issued over the upcoming year.

The capital improvement process includes a submittal form that gathers information about capital projects including information on the department, the project type and purpose, funding sources, underlying City studies, and reasons for the project's timing. These factors will be combined with other factors such as relevance to City Council goals, method of financing, and whether it is new or replacement work. Evaluation criteria will be applied to the relevant factors which will provide each project with a score that will be used to rank and prioritize each project.

Since the debt for the upcoming year's projects will be issued next spring and these projects will also become part of the adopted budget, the emphasis in the capital improvement process will be on the upcoming year's capital program. The projects for the remaining four years of the program will become part of the City's long-term financial plan and five-year capital improvement plan, and will not have debt issued for them until future years. These projects are still an important part of the capital improvements program as they help shape the debt issues and debt service levy into the future.

### **Program**

The Capital Improvements Program for 2009-2013 totals \$162,565,545. Of this total 35% is for road, bridge, and transportation projects, 3% is for parks and trails, 11% is for municipal utility and storm water projects, 39% is identified for Crosswinds and Prairie Trail, including public facilities and land, and 12% for annual infrastructure reinvestment. New and updated projects are summarized in Appendix 3.

Capital Budget requirements for 2009 total approximately \$37.8 million. Capital spending authorizations by year/project/category contained in Appendix 4, for the upcoming year, include:

- Annual \$4,170,000
- Prairie Trail \$16,400,000
- Crosswinds \$800,000
- Transportation \$9,667,345
- Storm Water \$0
- Water/Sewer \$5,155,000
- Parks/Recreation \$1,646,500
- Public Safety \$10,000

This program represents a concerted effort to ensure needed capital projects and infrastructures are in place in a timely manner to accommodate continued growth and development in the community. Staff has worked to mitigate the impact of debt service requirements on the annual property tax levy by

careful review of the need for the projects, timing of these projects, and by making several policy recommendations for funding, described in other sections of this document.

## **Overview**

The capital improvement program provides an organized timeline and objective grading criteria for the purpose of scheduling capital projects and planning long-term debt. The annual program calendar revised in 2008 starts in July and culminates in December so next year's capital expenditures and debt issues are finalized and ready to be included in the City's final budget for the upcoming year.

As a part of the process, capital projects are individually submitted on forms by each department. The projects are then evaluated based on the information provided on the forms. The following criteria are used for evaluating capital projects:

- Meets Legal Mandates
- Removes or Reduces Hazards
- Advances a Council Goal
- Improves Efficiency
- Maintains Standard of Service
- Supports Economic Development
- Improves Service
- Facilitates New Services
- Improves the Quality of Life or Aesthetic Values
- Offers Convenience

These urgency-of-need criteria are used as general guidelines to identify priorities among capital project requests. In evaluating the urgency of need, affordability is given strong consideration.

Once the projects are evaluated using the above criteria, they will then be ordered based upon their fund source and project year. Project summaries and order will then be reviewed by the City Manager and organized for presentation to the City Council.

## **2009-2013 Calendar**

### **July 14, 2008**

City Council and City Manager retreat to develop policy statements for upcoming capital improvements process.

October 13, 2008

City Council CIP budget retreat. City Manager and City Council review capital budget process overview, capital planning, project ranking/priority list for Calendar Year 2009, and incorporation of Council policy preferences.

November 10, 2008

City Council CIP budget workshop to review financial plan and debt service requirements for draft 2009-2013 CIP. Discuss 2009 BAN/Bond Issues.

December 1, 2008

City Council approval of 2009-2013 Capital Improvements Program document.

March 2, 2009

Following public hearing, City Council FY 2010 Budget adopted, including Debt Service Fund appropriation and 2009 capital project expenditures.

**City Council CIP Policies**

The following is the Capital Improvements Program Section of the FY2010 Budget Policy Statement approved by the City Council on September 15<sup>th</sup>, 2008.

- Projects—Evaluate all requests for capital improvement projects using the following criteria:
  - a. Source of funding including availability of additional revenue
  - b. Total project cost (design and development) and schedule for completion
  - c. Operating and maintenance costs for at least a five-year period following completion
  - d. Life of asset
  - e. Benefits to the city including but not limited to the affect on future operating and maintenance costs, economy, services, public health and safety, the environment, segment of population to be affected, and special considerations.
  - f. Alternatives considered
  - g. Consequences of not funding or deferral
  - h. Evaluation of citizen input
  - i. Impact on strategic plan for the city
- Cost Estimates—Revise cost estimates after completion of design.
- Design—Design facilities using current technology in order to be efficient and cost effective, protect the public welfare and minimize adverse effects on the environment.
- Multi-Year Projects—Annually evaluate multi-year capital projects.

- Priorities—Give priority to replacement or repair of existing assets.
- Plan Maintenance—Prepare and update annually a capital improvement plan including construction and purchases of city assets.
- Non-Construction Expenses—Limit interest, operating, administrative and/or maintenance expenses capitalized for capital projects to those expenses incurred prior to actual operation of the facility.
- Offices—Consolidate offices into fewer buildings and move from leased to owned facilities as much as possible.
- Long-Term Financing—Long-term borrowing shall be limited to capital improvement projects that cannot be financed from current revenues and to capital equipment with a useful life of 20 years or greater and a purchase cost of \$250,000 or greater. Other policies governing long-term debt include:
  - a. Finance capital projects for a period not to exceed the expected useful life of the project.
  - b. Maintain good communication with rating agencies and provide required disclosure on every financial report and bond prospectus.
  - c. Prohibit debt or bond financing from being used to support current operating expenditures.
  - d. Total debt outstanding, including overlapping debt, will be considered when planning additional debt issuance.
  - e. The City's share of utility projects, including City costs of over-width or over-depth paving of major streets, should be financed with Road Use Funds or other revenue sources when funds are available and appropriate.
  - f. The City's share of utility projects, including City cost of over-sizing of water, sewer and storm sewer mains, should be financed with utility funds and other revenue sources when funds are appropriate and available.
  - g. The use of general obligation bonds for projects does not dismiss the potential of pro rata payment for debt service by specifically benefitted funds such as water, sewer, storm water, or road use.
  - h. Financing requirements will be reviewed annually. The timing for financing will be based upon the City's needs for funds, market conditions and debt management policies.

## **Financial Plan**

Annually the city undertakes a wide variety of infrastructure projects ranging from water/sewer pipe installation to paving of city streets. The same goes for the funding of those projects, with an assortment of funding sources from levying of property tax to federal appropriations. A constant challenge for city staff is trying to find resources beyond property taxes to help with maintaining and enhancing the city's infrastructure while lessening the burden on Ankeny taxpayers.

The financial plan for the 2009-2013 CIP leverages resources in excess of \$164 million. When discussing a financial plan for a CIP the issuing of debt to cover project obligations is always a critical factor. The financial plan uses the city's traditional method of using two year temporary financing in the form of Bond Anticipation Notes (BAN), with the use of 10, 15 & 20 year Bonds for permanent financing. The following summary provides a breakdown for each major funding category the city uses to provide resources for projects.

## **Property Tax**

Property taxes, specifically those collected via the city's debt service levy, is the largest source of revenue for the CIP, representing about \$77 million or 46.8% of the overall financial plan. The property tax revenue is used to make the principal and interest payments for any general obligation (GO) debt issued by the city to pay for infrastructure projects. There are five types of GO debt issued by the city, with all types backed by the full faith and credit of the city's taxing authority:

- 1) Regular GO debt – debt service levy only
- 2) Water-abated GO debt – reimbursement received from city's water fund
- 3) Sewer-abated GO debt – reimbursement received from city's sewer fund
- 4) Tax increment financing-abated GO debt – reimbursement received from capturing taxes paid to all taxing authorities on certain new commercial & industrial properties
- 5) Referendum approved GO debt – additional debt service levy authority for capital projects approved by a vote of a super-majority (60%) of Ankeny taxpayers, such as the \$27 million Public Safety Bond Referendum approved in May 2006 with 82% voter approval.

The CIP has a higher reliance on regular GO debt than in past years. The city experiences various cycles where some years there is higher abated debt than regular debt. Large projects such as the reconstruction of North Ankeny Boulevard, extension of Magazine Road, and widening of Delaware Ave have moved the city into a regular debt cycle. This situation has been planned for by allowing the debt service fund to build up a sizeable cash balance to handle the higher debt payments. This planning will be sufficient for the near future, although future debt service levy adjustments will be needed to provide sustained resources for the CIP.

In an attempt to stabilize resources for the CIP staff presented four options for the City Council to consider. The options are as follows:



- 1) **Maintenance** – This option holds off any increase in the debt service levy until necessary. The result of this option is no tax increase for the first three years of the CIP with a large increase in year five.
- 2) **Restore** – This option restores the \$0.15 transferred from the debt service levy to the general fund levy during the FY2009 budget process. The result is no additional tax increases for the first four years of the CIP
- 3) **Advance** – This option increases the debt service levy to \$3.00 from the current \$2.78 level. This allows the tax rate to not be increased during the rest of the five year CIP.
- 4) **Incremental** – This option requires a \$0.10 tax increase to the debt service levy in each year of the five year CIP. The result is gradual increases to the levy instead of larger annual increases as required by some of the other options.

The City Council discussed the options during a workshop on November 10, 2008. After the discussion a majority of the council presented support for the incremental option 4. This option allows for the council to revisit the plan each year and make incremental adjustments by this council and any future council. City Council will need to take further action to approve any adjustment to the debt service levy based on the selection of a levy option described above.

#### Tax Increment Financing (TIF)

The use of tax increment financing (TIF) to abate some of the GO debt issued by the city is a way for the city to allow for growth, specifically commercial & industrial growth, to pay for itself. Of the \$77 million of GO debt discussed above about \$29 million, or 37.7% of GO debt is financed through TIF abatements. The majority of the TIF-abated projects are located within the Prairie Trail development per the developer agreement with DRA Properties. These projects, such as Town Center Area Improvements and SW Vintage Parkway, are designed to provide access to the commercial areas and encourage commercial investment in Prairie Trail.

Outside of Prairie Trail there is continued infrastructure investment in the areas of the Metro North Business Park and Uptown/South Ankeny Boulevard being supported by TIF financing. In Metro North the city's share of the SE Oralabor Road Widening project will be supported through TIF revenues with the balance being paid for through the state's Rebuild Iowa's Sound Economy (RISE) program. The South Ankeny Boulevard Improvement project, as well as various Uptown Ankeny projects, is set to be paid for via TIF revenues from area businesses reinvesting in those traffic corridors.

Over the next year the Council can expect to see a proposal to create a new TIF district around the proposed 36<sup>th</sup> Street/I-35 Interchange project to allow the city to leverage private investment to fund infrastructure improvements related to the interchange. In addition, the TIF district surrounding North Ankeny Boulevard will have a proposed extension to assist in funding transportation improvements in the area.

Finally, the Council has completed the Planned Unit Development rezoning process for the Crosswinds Business Park. Targeted as Ankeny's new job center, the business park will be the location of future infrastructure investment with TIF serving as the primary revenue source for those investments.

### **Municipal Utility Revenues**

The city's municipal utilities (water, sewer, storm water) help support numerous infrastructure projects to ensure each utility can adequately provide service to Ankeny's utility customers. Resources from the utility funds make up around \$17 million, or 10.4%, of the CIP financial plan. Funds from the utilities go to pay for abatements of the GO issued debt discussed above, or to pay principal and interest payments for debt issued by each utility based on the revenues of the utility. These debt instruments are called Revenue Bonds and unlike GO Bonds are not backed by the full faith and credit of the city's taxing authority. Instead, the Bonds are supported by the amount of revenue each utility generates. One additional debt instrument used by the city is a loan from the State Revolving Fund (SRF). Iowa's SRF provides low-interest loans to communities looking to provide enhanced sewer service to its residents.

The largest project to be paid for through resources of a utility is the Rock Creek Laterals project. This project is in conjunction with the inter-local (28E) agreement signed with Polk County to allow the Golfview Acres and Country Club neighborhoods to connect to the Rock Creek Sewer the County is constructing over the next few years. Other projects include the Northern Interceptor Extension project to provide sewer to new commercial and public projects in the vicinity of NE 36<sup>th</sup> & State Street and various water main projects to provide better service redundancy for the system.

In December 2008 the Council will approve proceedings to issue revenue bonds for the water and sewer utilities. The revenue bonds are to provide resources needed to complete current water & sewer projects already authorized by the Council and provide funds for projects to be started within the next year. To provide resources for the revenue bond debt payments, GO debt abatements and normal operating expenses each utility charges a fee to its customers. The fees supporting the utilities are analyzed on an annual basis by the city's financial adviser, Public Financial Management (PFM). Recently, PFM has completed an evaluation of the city's water and sewer rates to project what rates will be needed to provide adequate resources for the utilities to fund future operational and debt expenses. The projections completed by PFM show the city would need a 4% rate increase each for sewer and water in FY2010 and a 12% increase for sewer with a 7% increase for water in FY2011 to provide adequate resources to the sewer and water funds.

### **Storm Water Utility**

The function of the storm water utility as a funding mechanism for drainage improvements is still undetermined. The proposed CIP provides for \$250,000 each year from the storm water utility to go towards small drainage improvement projects. Depending on the result of various drainage studies currently underway the city can expect the addition of a number of sizable drainage improvement

projects in the CIP. A discussion between the Council and city staff will occur during development of the 2010-2014 CIP to determine whether storm water fees will include funding for infrastructure projects.

### **Grants & Intergovernmental**

Every year city staff looks for opportunities outside of the normal funding mechanisms (property tax and utility rates) to assist with the construction of infrastructure projects. These opportunities can include awards of federal and state grants, regional resources or assistance from other taxing bodies. The CIP financial plan identifies about \$38 million to be received from grant awards or intergovernmental assistance, representing 23.3% of all revenue sources. A few of the grants identified in the financial plan have already been awarded to city, such as a \$7.1 million federal appropriation for the 36<sup>th</sup> St/I-35 Interchange and various STP/STP-TE awards from the Des Moines Area Metropolitan Planning Organization (DMAMPO). Other grants have either been applied for already, waiting on award announcements, or the city anticipates making future applications for the funding.

The project most reliant on grant and intergovernmental support is the 36<sup>th</sup> St/I-35 Interchange, with a project cost of over \$26 million. This project has already received a \$7.1 million federal appropriation and it is anticipated the city will receive about \$8 million in support from the Iowa Department of Transportation through their own five year CIP. Going forward the financial plan proposes the city to seek additional grants through the DMAMPO and funding assistance from Polk County. Grants and intergovernmental assistance represent 84% of the funding support for the project.

Other assistance includes grants from the state for storm water improvements (Saylor Creek Tributary), recreational trails (Neal Smith & Gay Lea Wilson), and economic development activity (SE Oralabor Road Widening). Furthermore, funding assistance is anticipated from the Ankeny School District for selected infrastructure projects related to school facility construction in Prairie Trail.

### **Private & Developer Contributions**

The financial plan relies upon substantial contributions from private sources, with the vast majority coming through the development agreement with DRA Properties for Prairie Trail. Approximately \$27 million of private and developer contributions is proposed to support the CIP financial plan, representing 16.7% of total revenues.

In the 2009-2013 CIP \$20 million worth of projects are expected to be funded through the Civic Trust Fund. The largest project is the construction of the city's second aquatic center in Prairie Trail, costing \$10 million. The other \$10 million is expected to fund development of the featured park projects within the Prairie Trail development; Dean, Promenade and Chautauqua Parks. The financial plan also anticipates the city working with the Town Center Developer, Madison-Marquette, on a partnership for constructing parking garages next to the Town Center. Finally, the city is working on plans to conduct private fundraising to help with the construction of Promenade Park next to the Town Center.

## **Financial Plan Overview**

The financial plan presents a diversified approach to funding the 2009-2013 capital improvements program with over 50% coming from non-property tax sources. The plan focuses on finding revenue sources from outside the community to lessen the burden on Ankeny taxpayers and aggressively seeks partnerships for enhancing the city's infrastructure. This CIP financial plan relies heavier on regular GO debt than in years past, with substantial investments in infrastructure rehabilitation. Typically, any rehabilitation funding, especially for street rehabilitation, is funded directly by property taxes from the debt service levy, with little to no abatement. Below is a summary of the funding sources for the 2009-2013 CIP.

<b><u>Funding Source</u></b>	<b><u>Revenue (\$)</u></b>	<b><u>% of Overall</u></b>
Property Taxes	\$76,854,145	46.8%
Grants & Intergovernmental	\$38,339,800	23.3%
Private & Developer Contributions	\$27,467,500	16.7%
Municipal Utility Revenues	\$17,117,000	10.4%
Miscellaneous Revenues	<u>\$4,283,800</u>	<u>2.8%</u>
	\$164,062,245	100%

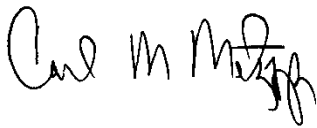
This financial plan completes the submittal of the 2009-2013 Capital Improvements Program for City Council's consideration. As currently presented the CIP and related financial plan does not include any projects in support of school facility projects outside of the Prairie Trail development. Furthermore, the CIP does not include any projects anticipated from the numerous storm water drainage studies currently underway.

## **Conclusion**

Over the past two months the City Council has held workshops to review the projects and financial plan included in the proposed CIP. This document represents the conclusion of a systematic process employed by the City Council and city staff to develop a five-year program of infrastructure projects critical to the growth and prosperity of the Ankeny community.

I am pleased to submit the City's Capital Improvements Program for 2009-2013. I look forward to our discussions regarding projects, timing, financing, and finalizing the scope of the 2009 capital program.

Respectfully Submitted,



Carl M. Metzger  
City Manager